

**Testimony of David Beckmann, Bread for the World**  
**“The Role and Effectiveness of the World Bank in Combating Global Poverty”**  
**House of Representatives Financial Services Committee Hearing**

**May 22, 2007**

Chairman Frank, Ranking Member Bachus and Members of the Committee, thank you for this opportunity to testify about the World Bank’s role in overcoming global poverty.

The world is making progress against poverty. The World Bank just announced that the number of people who live in extreme poverty has finally dropped below 1 billion. That is still a horrific number, but there were 1.5 billion people in extreme poverty in 1980 and 1.25 billion in 1990. The proportion of people in developing countries who are extremely poor has dropped from two-fifths in 1980 to less than one-fifth now.

It is feasible to reduce hunger, poverty and disease dramatically over the next decade or two, and the World Bank is playing a crucial part in this great liberation. The effectiveness of the World Bank is of life and death importance to many struggling families, and a better future for them will make the world a more wholesome place for all of us.

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I have a generally positive view of the World Bank, and this view has been formed through 30 years of different kinds of experience with the Bank.

I served on the staff of the World Bank for 15 years. I worked in operations in Asia, Africa and Latin America – on some projects that failed, and on other projects that benefited hundreds of thousands of poor families. I wrote speeches for the president of the World Bank, working with the president and other top managers as they grappled with the international debt crisis of the early 1980s. Finally, I led the World Bank’s early efforts to connect with civil society all over the world, including work on policies that concerned NGOs – the poverty impact of structural adjustment and the participation of poor people in development planning.

For the last 15 years, I have been president of Bread for the World. Bread for the World is a nationwide citizens’ lobby on hunger and poverty issues. We organize people and churches all over the country to urge Congress to take actions that are important to poor people in this country and worldwide. When I moved to Bread for the World, I kept working on ways to make the World Bank more effective for poor people. Bread for the World campaigned to get the World Bank to focus on the reduction of poverty as its mission and to make its activities transparent and accountable. These have also been long-standing concerns of this committee, and during the 1990s the Bank indeed shifted

to a sharper focus on poverty and increased transparency and participation. Practice often falls short of policy. But when I visit developing countries and check in on what the Bank is now saying and doing in the field, I am impressed by the practical ways that the Bank has become more effective in combating poverty and more supportive of democratic participation – much more emphasis on poverty reduction in the Bank’s policy dialogue with governments, for example, and active outreach to both civil-society organizations and business people.

In 1999, Bread for the World campaigned to reduce the unpayable debt of some of the world’s poorest countries. Bono started working with us at that time. This committee helped move the U.S. government to support debt relief. The World Bank has led the implementation of this initiative, with considerable success by all accounts. Thanks to international debt relief, a lot more children are in school and more medicines are in rural clinics in many of the world’s poorest countries. More recently, Bread for the World has campaigned to help increase U.S. funding for development assistance, including the World Bank’s concessional affiliate (IDA), and for changes in U.S. trade and farm policies that will open opportunity to poor families around the world.

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Through all these diverse interactions, I have come to a deep appreciation of the World Bank. All human institutions have their weaknesses, but I would like to highlight five strengths of the World Bank:

1. **The World Bank focuses on reducing poverty.** The World Bank and other multilateral agencies allocate much more of their aid funding to low-income countries than USAID or other bilateral agencies do. All the World Bank’s activities, from basic education to policy work to encourage private investment, need to be justified in relation to the Bank’s overarching goal of combating poverty. Governments, including our own government, sometimes try to use the Bank for other purposes. But the fact that the stated goal of the Bank is poverty reduction is a major strength.
2. **The World Bank has improved and adapted over time.** The Bank’s sharpened focus on poverty and its increased transparency are major improvements. The Bank has also adopted new emphases and strategies in response to changing needs and the lessons of experience. For example, the first witness in this hearing, Joseph Stiglitz, famously critiqued the “Washington Consensus.” The Bank learned from his critique. It continues to recommend that governments take advantage of what free markets can do, but the Bank also helps to develop effective governmental institutions and works to adapt its advice to each country situation.
3. **The World Bank is a unique center of knowledge.** The Bank’s staff are highly qualified. They come from all over the world, and they work in all corners of the world, so the Bank can compare the experiences of different countries. The

Bank's multilateral character tends to insulate its thinking from the ideologies and interests of particular countries. The governments of the world and lots of other organizations involved in international development rely heavily on the World Bank's knowledge. Even when we don't agree with the World Bank's conclusions, its analysis is valuable.

4. **The World Bank's governance structure works fairly well.** The United States and other high-income countries have power in relation to their financial contributions to the Bank, but all the member countries are represented in the board. Remarkably, issues are usually settled by reasoned debate. The Bank is able to get consensus support from its member governments for most of its policies and projects.
5. **The World Bank evaluates its effectiveness.** I don't know of any other international development agency that is more rigorous in evaluating itself. The Bank's independent evaluation unit estimates that three-quarters of the Bank's operations have satisfactory outcomes. That leaves plenty of room for improvement, but the Bank works in many difficult environments and tackles daunting problems.

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Looking ahead, I hope the Bank will become more effective in building political commitment to overcoming poverty. In my view, the main constraint on progress against poverty is that poor people are not a high political priority. Within developing countries, opportunity for very poor people is more prominent in political rhetoric than in government budgets. And while the United States and other industrialized countries have increased their development assistance during this decade, reducing global poverty is still not a high political priority for us either. Political commitment does not just happen; it can be built over time – notably by strengthening governmental and nongovernmental institutions that represent the interests of poor people. The World Bank can appropriately help to build political commitment – through its policy dialogue, through its projects, and through stronger programs of public outreach. The Bank can also help to build political backing for development assistance by using the resources it is given efficiently. Yet the Bank has never systematically thought about all that it does to build political commitment and how it could provide stronger leadership.

Right now, the World Bank should restrain ambitious top-down initiatives. Jim Wolfensohn, the Bank's previous president, probably launched more initiatives than the Bank could effectively pursue, and the controversy around Paul Wolfowitz has done real damage. The Bank needs to effectively pursue the priorities it has already established, notably Africa, updating the Bank's role in middle-income countries, and developing new strategies to attack corruption.

Above all, the Bank's diverse stakeholders, notably the Bank's own board and staff, need to be drawn back together around the Bank's compelling purpose. The next

president of the Bank must demonstrate deep and unalloyed commitment to the Bank's mission of reducing poverty.

This is a unifying purpose. It is a purpose toward which President Bush and both parties in Congress have worked together. It is a cause to which all the nations on earth are drawn. I am a minister of religion as well as an economist, and virtually all of the religious and ethical traditions of the world know that overcoming poverty is sacred business.

The World Bank is an important ally to hundreds of millions of people who are working hard to escape from misery. But this is a vulnerable moment in the Bank's history. So all of its stakeholders, including all of us here today, need to join forces to renew the World Bank and make it more effective in combating global poverty.

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David Beckmann is one of the foremost U.S. advocates for policies and programs to reduce poverty in the United States and worldwide. He has been president of Bread for the World for 15 years, leading large-scale and successful campaigning to strengthen U.S. political commitment to overcoming hunger and poverty. He previously served in operation and policy positions at the World Bank for 15 years. He played a leadership role in the Bank's engagement with civil society around the world.